

# Sukuk Negara as an Alternative for APBN Financing in Indonesia

Riswan Riswan<sup>1\*</sup>, Andi Rustam<sup>2</sup>, Linda Arisanty Razak<sup>3</sup>, Muchriana Muchran<sup>4</sup>

Universitas Muhammadiyah Makassar, Makassar<sup>1,2,3,4</sup>

[rswann7@gmail.com](mailto:rswann7@gmail.com)<sup>1</sup>, [muchranmuchriana@gmail.com](mailto:muchranmuchriana@gmail.com)<sup>4</sup>



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## Abstract

**Purpose:** In supporting APBN financing, the government always prioritizes non-debt financing. However, the government also uses debt financing to meet the financing needs of the state budget. One of the alternative efforts that must be made by the Government is to develop Sharia-based SBN or what can be called Sukuk Negara.

**Method:** This research uses a qualitative methodology.

**Result:** Based on the results of research that has been conducted, it is known that State Sukuk have a major role in driving the growth of Islamic finance in Indonesia and can reduce the financing of the state budget deficit.

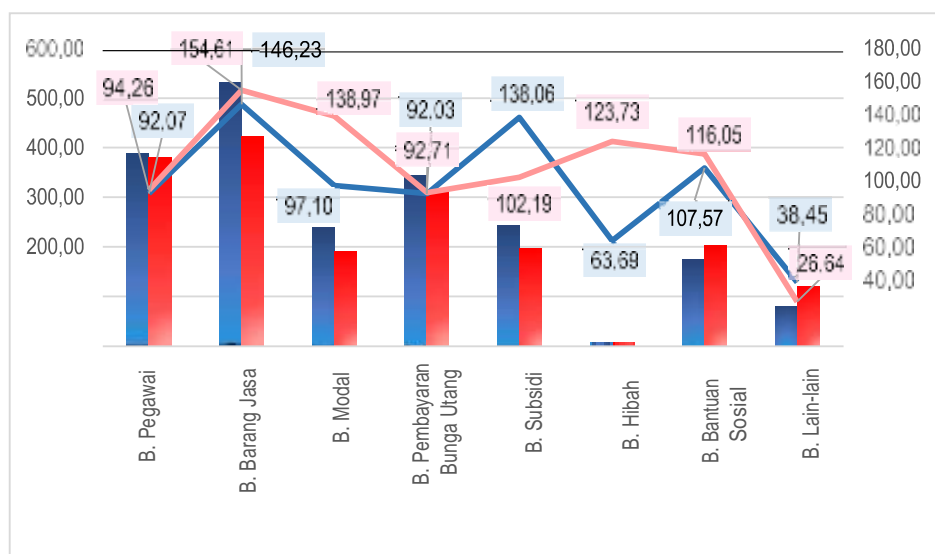
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## 1. Introduction

The Ministry of Finance released Information on the 2021 State Budget with the theme Accelerating Economic Recovery and Strengthening Reform (Ministry of Finance, 2021). State revenue for 2021 will increase by IDR 43.7 trillion compared to 2020. Total state revenue for 2021 is IDR 1,743.6 trillion consisting of tax revenue, non-tax state revenue and grants. The state revenue obtained is used for state spending which consists of central government spending and transfers to regions and village funds. Total state spending in 2021 is IDR 2,750 trillion, an increase of IDR 10.8 trillion from 2020. Total state spending that is greater than income is referred to as a budget deficit in macroeconomics. The realization of central government spending in 2021 consists of realized K/L spending of IDR 1,190.81 trillion and non-K/L spending of IDR 809.89 trillion. The portion of K/L spending realization reached 59.52 percent, then followed by non-K/L spending realization of 40.48 percent of the total central government spending in 2021. If broken down according to the realization figures per each K/L, then ten K/L /L which has the highest expenditure realization figure for 2021 sequentially from the highest nominal is 1) the Ministry of Health of IDR 208.32 trillion, 2) the Ministry of Public Works and Public Housing of IDR 152.69 trillion, 3) the Ministry of Defense of IDR 125.89 trillion, 4) Ministry of Social Affairs in the amount of IDR 105.31 trillion, 5) Indonesian National Police in the amount of IDR 102.26 trillion, 6) Ministry of Finance in the amount of IDR 87.45 trillion including Palm Oil BLU Spending IDR 53.51 trillion), 7) Ministry of Education, Culture, Research and Technology in the amount of IDR 84.70 trillion, 8) Ministry of Religion in the amount of IDR 68.59 trillion, 9) Ministry of Transportation in the amount of IDR 33.69 trillion, and 10) Ministry of Communication and Informatics in the amount of IDR 23.41 trillion. The 2021 State Budget has a budget deficit of 5.7% of GDP (Gross Domestic Product). Over the past five years, budget deficits have continued to occur in the structure of the Indonesian state budget with an ever-increasing ratio to GDP.

Table 1. Realization of Central Government Expenditures for the 2021 and 2020 Fiscal Years by Type of Expenditure



Source: Ministry of Finance, 2023

The largest expenditure nominal in central government spending in 2021 was realized in goods spending which reached IDR 530.06 trillion or 146.23 percent of the budget ceiling, personnel spending of IDR 387.75 trillion or 92.07 percent of the budget ceiling and spending on debt interest payments of IDR 343.50 trillion or 92.03 percent of the budget ceiling. Realization of personnel spending at the largest Ministries/Institutions is dominated by the Ministry of Defence, the Indonesian National Police and the Ministry of Religion. While the realization of the largest expenditure on goods at Ministries/Agencies was dominated by the Ministry of Health driven by the handling of Covid-19 and the vaccination program, the Ministry of Finance was driven by funding for the difference in the price of Biodiesel at the Palm Oil BLU, the Ministry of Public Works and Housing was driven by infrastructure and infrastructure development, and the Ministry Defense is driven by the modernization of Alutsus, Alutsista, Non Alutsista and defense infrastructure. The realization of the 2021 budget deficit is still under control, namely 4.57 percent of GDP in 2021 or Rp. 775.06 trillion, which is below the state budget target of 5.70 percent. The realization of a lower APBN deficit is supported by improved performance in state revenues as a result of rising commodity prices and the recovery in economic activity.

Table 2. Ratio of Budget Surplus/(Deficit) to GDP in 2021 (in trillion Rupiah)

Indikator	APBN 2021 (UU No. 9 2020)	Realisasi Tahun 2021
Surplus/ (Defisit) Anggaran	1.006,38)	775,06)
PDB Nominal Tahunan	17.655,8*)	16.970,79
Defisit thd PDB	5,70 )	4,57 )

Source: Ministry of Finance, 2023

In line with the relaxation of the state budget deficit above 3 percent and the Government's commitment to continuing the policy of accelerating the handling of the impact of the Covid-19 pandemic and encouraging national economic recovery, the need for state budget financing for 2021 is still quite high. Realization of budget financing for 2021 reached IDR 871.73 trillion or 86.62 percent of the APBN target. Until mid-2021, the pandemic condition still showed no sign of ending. In fact, a delta variant was found with a faster transmission rate and high mortality rate, and has a very broad impact throughout the world. This delta variant causes an increase in daily cases in almost all

countries in the world, so that several countries apply a lock down. Responding to these conditions, the Government of Indonesia implemented PPKM to control transmission by limiting community activities. This policy encourages an increase in government spending, so that extraordinary steps are needed to support this policy. Trilaksono, Komalasari, Tubarad, and Yuliansyah (2021) In supporting the Government's extraordinary steps, one of the steps taken by the Government is refocusing the budget to support the handling of Covid-19 and national economic recovery which is carried out through tightening, shifting and cutting the budget in 2021. Government spending is directed at supporting health management policies, protecting purchasing power society, as well as maintaining the resilience of the business world and national economic recovery when fiscal capacity is limited. Various government efforts to reduce the number of Covid-19 have resulted in a reduction in the number of cases of the delta variant in Indonesia in 2021. In supporting APBN financing, the government always prioritizes non-debt financing. However, considering the limitations of non-debt financing, the government also uses debt financing to meet the financing needs of the state budget. Debt financing in 2021 is carried out prudently to support the 2021 State Budget, aimed at accelerating the handling of Covid-19 and protecting the economy from the threat of a prolonged crisis.

One of the alternative efforts that should be carried out by the Government is to develop sharia-based SBN. Given that the Islamic finance industry has increased rapidly in Indonesia as a result of public awareness of using sharia-based financial products. SBN instruments that comply with sharia principles are Surat Berharga Syariah Negara (SBSN) or Sukuk Negara, which consists of three types, namely Sukuk Negara Ritel (SR), Sukuk Negara Tabungan (ST), and Cash Waqf Linked Sukuk (CWLS) (Abitaha & Soelistyo, 2021). Law Number 19 of 2008 defines State Sharia Securities (SBSN) or what can be called State Sukuk as state securities issued based on sharia principles, as evidence of the share of participation in SBSN assets, both in rupiah and foreign currency. Chapter III Market 4 states that SBSN is issued with the aim of financing the State Revenue and Expenditure Budget including project development (Ardi, 2018).

## **2. Literature review**

### **2.1 Sukuk Negara**

The growth of Islamic finance in Indonesia is now increasing rapidly with a lot of support from the government, scholars and stakeholders. One form of government support for the Islamic finance industry is the launch of the Indonesian Sharia Economic Master Plan for 2019-2024. The vision of the Indonesian Islamic Economics Masterplan is to create an "Independent, Prosperous and Civilized Indonesia by Becoming the World's Leading Center for Islamic Economics". Based on this vision, there are four main priorities in developing the Islamic economy in Indonesia, namely: strengthening the halal value chain, strengthening the Islamic finance sector, strengthening micro, small and medium enterprises (MSMEs), and utilizing and strengthening the digital economy (Fauziah & Nurwahidin, 2020). One of the fastest growing Islamic financial instruments is sukuk. Sukuk in terminology is the plural form of the word "sakk" which means a certificate or proof of ownership. The National Sharia Council of the Indonesian Ulema Council (DSN-MUI) defines sukuk as long-term securities based on sharia principles issued by issuers to finance income for sukuk holders in the form of profit sharing, margin, or fees, as well as repaying the sukuk funds at maturity (Handayani & Surachman, 2017).

The momentum of the inauguration of Law Number 19 of 2008 concerning State Sharia Securities made the sukuk market grow rapidly with a total issuance value of IDR 4.67 trillion in the domestic market. The government through the Ministry of Finance responded to the market by issuing State Sukuk as an instrument to finance infrastructure (Hariyanto, 2017). Since 2012, the government has periodically issued State Sukuk with various schemes. In 2016, the government first issued Retail State Sukuk SR-008 and continued with Retail Sukuk SR-009 in 2017. In 2018, green sukuk was first published as a form of government contribution in supporting the SDGs. One indication of the strengthening role of State Sukuk in APBN financing is the increase in the number of issuances of sukuk from year to year. The Directorate of Sharia Financing, Directorate General of Financing and

Risk Management (DJPPR) released data that the issuance of State Sukuk has increased very significantly from the first issuance in 2008. The number of issuances in 2018 has reached IDR 192.49 trillion. After publishing green sukuk on February 22, 2018 with a five-year tenor worth USD 1.75 billion and listed on the Singapore Stock Exchange and NASDAQ Dubai, the accumulated total issuance of State Sukuk from 2008-2018 reached IDR 950.26 trillion (Abitaha & Soelistyo, 2021).

## **2.2 Legal Basis for Issuance of Sukuk Negara**

Issuance of SBSN or State Sukuk is legal because it is based on laws and regulations made by the government and in accordance with sharia principles based on the fatwa of the National Sharia Council - Indonesian Ulema Council (DSN-MUI). Legal Basis issuance of SBSN or State Sukuk based on the Directorate of Sharia Financing of the of the Ministry of Finance are:

- a. Law Number 19 of 2008 concerning State Sharia Securities
- b. Government Regulation Number 56 of 2008 concerning SBSN Issuing Companies
- c. Government Regulation Number 57 of 2008 concerning Establishment of Indonesian SBSN Issuing Companies
- d. Government Regulation Number 67 of 2008 concerning SBSN I Issuing Companies
- e. Regulation of the Minister of Finance Number: 118/PMK.08/2008 concerning Issuance and Sale of State Sharia Securities by Bookbuilding Method in the Domestic Primary Market
- f. Regulation of the Minister of Finance Number: 152/PMK.08/2008 concerning Issuance of State Sharia Securities in Foreign Currency on the International Primary Market
- g. Regulation of the Minister of Finance Number: 218/PMK.08/2008 concerning Issuance and Sale of Retail State Sharia Securities in the Domestic Primary Market
- h. Regulation of the Minister of Finance Number: 11/PMK.08/2009 concerning Management of State Sharia Securities Assets in the Domestic Primary Market by Auction Method
- i. Regulation of the Minister of Finance Number: 75/PMK.08/2009 concerning Issuance and Sale of State Sharia Securities in the Domestic Primary Market with Direct Placement (Private Placements).

The sharia aspect of issuing SBSN or State Sukuk is based on the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), namely:

- a. DSN-MUI Fatwa Number: 69/DSN-MUI/VI/2008 concerning State Sharia Securities
- b. DSN-MUI Fatwa Number: 71/DSN-MUI/VI/2008 concerning Issuance Methods of State Sharia Securities
- c. DSN-MUI Fatwa Number: 71/DSN-MUI/VI/2008 concerning Sale and Lease Back
- d. DSN-MUI Fatwa Number: 72/DSN-MUI/VI/2008 concerning State Sharia Securities Ijarah Sale and Lease Back.
- e. DSN-MUI Fatwa Number: 95/DSN-MUI/VII/2014 concerning Wakalah State Sharia Securities (SBSN)
- f. DSN-MUI Fatwa Number: 127/DSN-MUI/VII/2019 concerning Sukuk Wakalah bial-Istithmar
- g. DSN-MUI Fatwa Number: 131/DSN-MUI/X/2019 concerning Waqf Sukuk
- h. DSN-MUI Fatwa Number: 137/DSN-MUI/IX/2020 concerning Sukuk

## **2.3 Purpose of Issuance of Sukuk Negara**

Directorate of Sharia Financing, Directorate General of Financing and Risk Management, Ministry of Finance explained that the purpose of issuing Retail State Sukuk is as follows:

- a. Funding the State Budget and financing the development of infrastructure projects in Indonesia
- b. Expanding the domestic investor base
- c. Providing alternative instruments or investment diversification for retail investors
- d. Support the development of Islamic financial markets
- e. Support the stability of the domestic financial market

Up to February 25, 2021, the issuance of State Sukuk has accumulated Rp 1,657.25T, with a portion that has continued to increase since 2008 (Anam, 2018). In addition, the purpose of issuing State Sukuk is to encourage the development of the Islamic financial market in Indonesia benchmarks in the Islamic financial market, and developing alternative investment instruments (Khatimah, 2017). Given

that the majority of Indonesia's population is Muslim, it is necessary to have various types of sharia investment instruments that can be chosen by the public. The existence of State Sukuk is expected to be able to enlarge market share Islamic financial market in Indonesia.

#### **2.4 Parties Involved in State Sukuk Issuance**

The Directorate General of Sharia Financing of the Ministry of Finance states that in the issuance of State Sukuk there are several parties involved, namely:

- a. Obligor, namely the party responsible for the nominal payment and compensation of the issued State Sukuk. The obligor in issuing SBSN or State Sukuk is the Government. The government in this case is represented by the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance. DJPPR is responsible for issuing SBSN including managing payment of compensation and investment principal when due.
- b. Special Purpose Vehicles (SPV), namely a legal entity established specifically for the issuance of State Sukuk which has the function of being a sukuk issuer, as a Trustee representing the interests of investors, and being counterparties. The government is in an asset transfer transaction. The SPV in issuing SBSN or State Sukuk is the SBSN Issuing Company. SPV has a dual role as a government representative in issuing SBSN and a trustee representing the interests of investors.
- c. Investors or sukuk holders have rights to compensation, margin and nominal value of the sukuk according to their respective contributions.
- d. Sharia Advisor, individuals whose knowledge is widely recognized in the field of Islamic economics and finance or someone who is part of the top institution in charge of fatwas. In Indonesia, sharia advisor represented by the DSN-MUI whose task is to provide sharia fatwas and opinions regarding the issuance of SBSN.
- e. Trustees/Trustee, a party representing the interests of State Sukuk holders. Law Number 9 of 2008 concerning SBSN states that the Trustee has the duty to enter into engagements with other parties for the benefit of SBSN holders, oversee SBSN assets for the benefit of SBSN holders, and represent other interests of SBSN holders related to engagements in the context of issuing SBSN.

Apart from these five parties added several other parties involved in the issuance of SBSN, namely:

- a. The Directorate General of Budget of the Ministry of Finance has a role in providing underlying assets in the form of government projects as well as selecting State Property (BMN) to be used as underlying assets.
- b. Government Ministries/Institutions whose role is to carry out management of underlying assets whether in the form of BMN or government projects.
- c. Legal consultants tasked with conducting due diligence (due diligence) of underlying asset, as well as assisting in the preparation of legal documents, and providing advice to the government regarding the issuance of SBSN.

Issuance of SBSN will run well if there is also good cooperation between the parties involved. Good cooperation between parties will allow the issuance of SBSN to be carried out in accordance with the goals set by the government. So that maintaining cooperation is something that must be jointly pursued so that the issuance of SBSN can run sustainably.

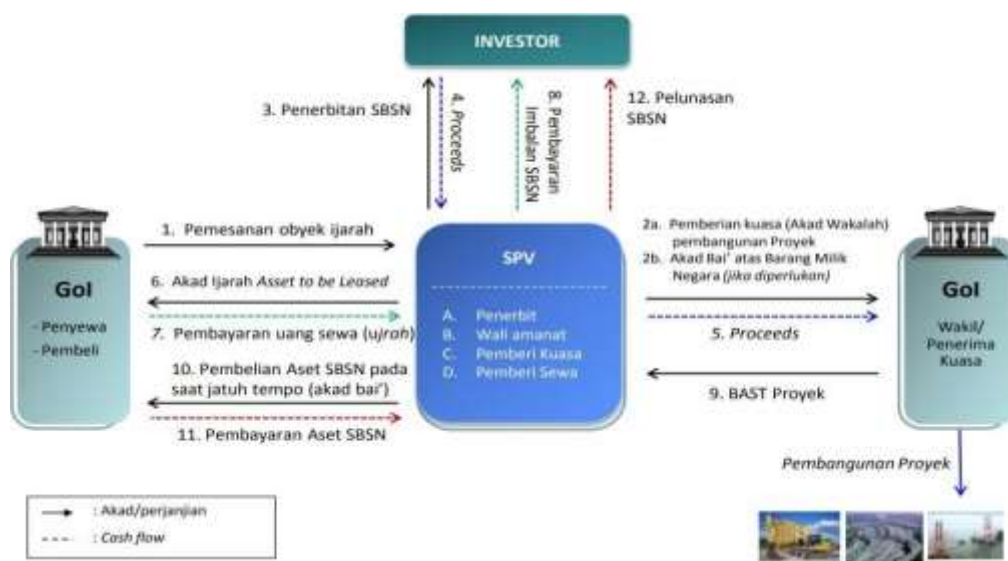
#### **2.5 Underlying Assets in State Sukuk Issuance**

Underlying assets are assets used as objects or basis for transactions in the issuance of sukuk. Assets used as the basis for issuing sukuk must have economic value and/or have cash receipts in the form of tangible or intangible goods, including projects that will be built or are being built. Underlying assets is one of the crucial aspects that distinguishes between the issuance of State Sukuk and Government Securities (SUN). Absence of underlying assets or object used as the basis for issuance, the securities issued will have the nature of a debt instrument (Khatimah, 2017). Law Number 19 of 2008 concerning State Sharia Securities in Article 1 paragraph 3 explains that SBSN assets or underlying assets are SBSN financing objects and/or State-Owned Goods that have economic value, in the form of land and/or buildings or other than land/buildings, which in the context of issuing SBSN are used as the basis for issuing SBSN. In addition, the government also has the authority to use State Property as the basis for issuing SBSN or as underlying assets. Types of State Sukuk Chapter II Article 3 Law

No. 19 of 2008 concerning State Sharia Securities states that SBSN or state sukuk can be issued with several types of contracts, namely:

- a. SBSN Ijarah issued based on an ijarah contract
- b. Mudharabah SBSN issued based on a mudharabah contract
- c. Musyarakah SBSN issued based on a musyarakah contract
4. Istishna SBSN issued based on an istishna contract
- d. SBSN issued based on other contracts as long as they do not conflict with shariaprinciples
- e. SBSN issued based on a combination of two or more contracts.

The first contract used in the issuance of State Sukuk is Ijarah. State Sukuk issued for the first time use a contract Ijarah sale and lease back with underlying issuance or the object of issuance is State Property (BMN) in the form of land and buildings (Ramdhani, bin Masruhen, Ibrahim, Pramitha, & Lubis, 2022). Ijarah contracts are used in the issuance of state bonds because they are simple and easy to understand. Making it easier for potential investors to understand the flow of transactions in Sukuk Ijarah.

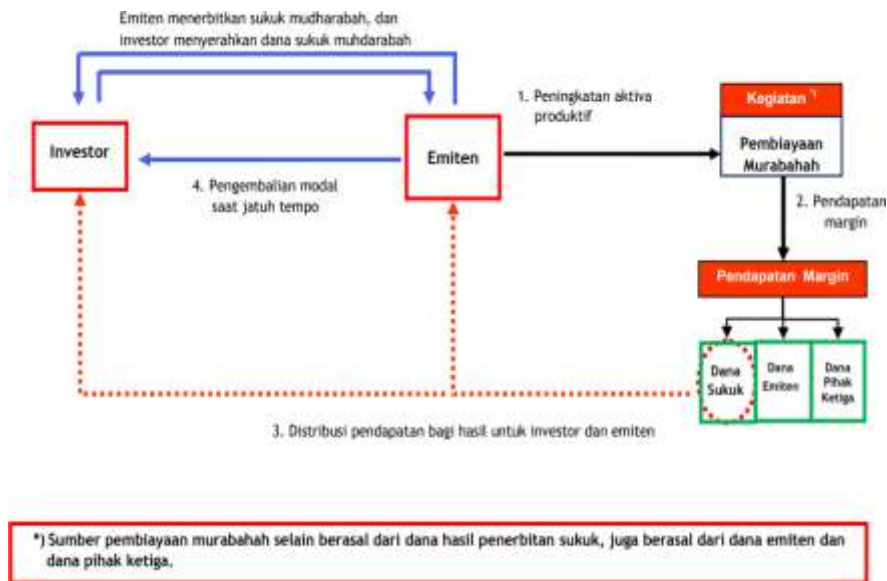


Picture 3. Structure of SBSN Ijarah – Assets to be Leased  
Source: Ministry of Finance, 2023

The second contract used in issuing State Sukuk is a mudharabah contract. The mudharabah issuance scheme refers to the fatwa of the National Sharia Council - Indonesian Ulema Council (DSN-MUI), namely:

- a. DSN Fatwa Number 137 of 2020 Regarding Sukuk
- b. DSN Fatwa Number 115 of 2017 Concerning Mudharabah Contracts
- c. DSN Fatwa Number 07 of 2000 concerning Mudharabah Financing

Mudharabah Sukuk, namely State Sukuk issued based on a Mudharabah agreement or contract in which one party is the owner of capital (shahibul maal) which provides all the capital with the manager (mudharib), profits from the cooperation will be shared based on a pre-agreed ratio. Meanwhile, the losses incurred will be fully borne by the party who is the owner of the capital (Hendratni, Soemarsono, & Harsono, 2021).



Picture 4. Mudharabah SBSN structure

The third contract used in issuing State Sukuk is a musyarakah contract. The musyarakah sukuk issuance scheme refers to the fatwa of the National Sharia Council - Indonesian Ulema Council (DSN-MUI), namely:

- a. DSN Fatwa Number 137 of 2020 Regarding Sukuk
- b. DSN Fatwa Number 08 of 2000 Concerning Musyarakah Financing

Musyarakah Sukuk, namely sukuk issued based on a musyarakah contract, in which two or more parties work together to combine capital used to build new projects, develop existing projects, or finance business activities. Profits and losses incurred will be shared according to the amount of each capital participation (Khatimah, 2017). The fourth contract used in the issuance of State Sukuk is the istishna' contract. The istishna' sukuk issuance scheme refers to the fatwa of the National Sharia Council – Indonesian Ulema Council (DSN-MUI), namely:

- a. DSN Fatwa Number 137 of 2020 Regarding Sukuk
- b. DSN Fatwa Number 06 of 2000 Concerning the Sale and Purchase of Istishna'

Istishna' sukuk are sukuk issued based on an istishna contract in which the parties agree to buy and sell in order to finance an item/project. Regarding the price and time of delivery as well as the specifications of the goods/projects, it is determined in advance based on an agreement between the parties conducting the sale and purchase (Khatimah, 2017).

### 3. Research methods

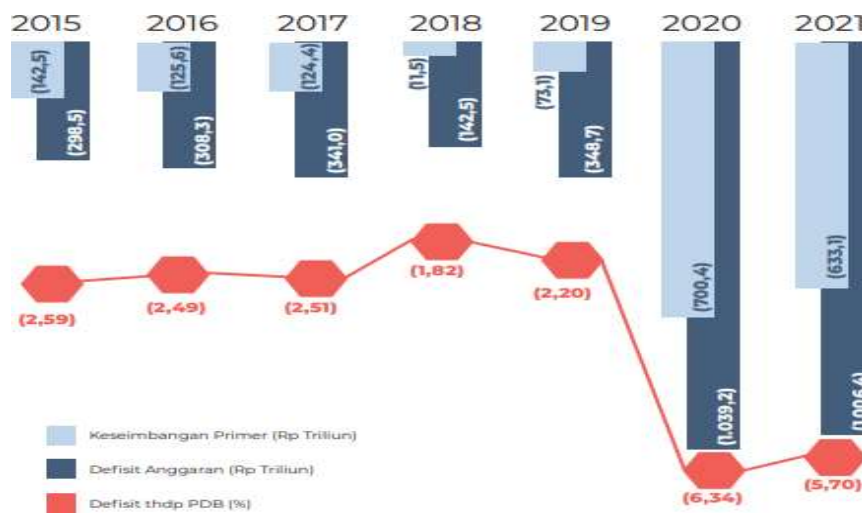
This study uses a qualitative approach. A qualitative approach is used for several purposes, including to better understand every phenomenon that is not widely known by people and is used to examine something in depth. The analysis used was a literature study (literature research). Literature study is a comprehensive study conducted by studying various written documents that are relevant to the research theme. Literature study in this study uses several journals that are relevant to the research as well as annual reports and related laws, such as the APBN report issued by the Ministry of Finance, the DSN MUI fatwa on State Sukuk and the Law on National Sharia Securities.

## 4. Results and discussion

### 4.1 Reviewing State Budget Posture in Indonesia

One of the goals of the National Development which is continuously carried out by the government aims to provide people's welfare, including providing good infrastructure, education and health facilities for all groups, providing subsidies to disadvantaged groups and providing citizens with a sense of security and peace (Hendratni et al., 2021). All of these things require a large budget contained in the APBN structure. As the population increases, the government's burden in spending

the State Budget for the welfare of the people also increases. State spending has increased significantly, if it is not matched by the same amount of income, then what will happen is a deficit in the state budget.



Picture 5. Indonesia's 2015-2021 state budget deficit  
Source: Ministry of Finance, 2023

Data from the Ministry of Finance shows that from year to year, the trend of Indonesia's state budget is experiencing a sizeable deficit. The surge in the deficit occurred in 2020 and 2021 due to the influence of the Covid-19 pandemic which has shaken many countries in the world, including Indonesia. The government has taken various ways to reduce the state budget deficit, one of which is to encourage tax and non-tax revenues.

Uraian	Target 2021 (Triliun)	Realisasi s.d. 31 Desember 2021		
		Rp (Triliun)	Δ% '20-'21	% Realisasi
Pajak Penghasilan (PPh)	683.77	696.51	17.25	101.86
- Non Migas	638.00	643.65	14.73	100.88
- Migas	45.77	52.86	60.06	115.50
PPN & PPnBM	518.55	550.97	22.35	106.25
PBB	14.83	18.92	-9.68	127.61
Pajak Lainnya	12.43	11.13	63.84	89.51
<b>Jumlah</b>	<b>1.229,58</b>	<b>1.277,53</b>	<b>19.16</b>	<b>103.90</b>

Picture 6. Realization of 2021 Tax Revenue  
Source: Ministry of Finance, 2023

The year 2021 is called a proud year by the Directorate General of Taxes because tax revenues have reached the state budget target. Realization of tax revenue in 2021 amounted to IDR 1,277.53, growing 19.16 percent (yo) compared to 2020. The achievement of tax revenues of up to 103.90 percent of the 2021 State Budget target is influenced, among other things, by increased taxpayer compliance (WP) in paying taxes. In addition to state revenue from taxes, the government is also encouraging other sources of income, namely non-tax state revenue (PNBP). PNBP comes from



natural resource revenues from the oil and gas and non-oil and gas sectors, KND (Separated State Assets) revenues, other non-tax state revenues, and BLU (Public Service Agency) revenues.

Realisasi PNBП Tahun 2021 Menorehkan Rekor Tertinggi				
PNBP (Miliar Rupiah)	APBN 2021	Realisasi s.d. Desember 2021	% APBN	% Growth (yoy)
<b>Penerimaan Negara Bukan Pajak</b>	<b>298.204,17</b>	<b>451.978,06</b>	<b>151,57</b>	<b>31,46</b>
<b>A Pendapatan SDA</b>	<b>104.108,84</b>	<b>150.819,59</b>	<b>144,87</b>	<b>55,12</b>
<b>1 Migas</b>	<b>74.999,72</b>	<b>98.006,35</b>	<b>130,68</b>	<b>41,87</b>
<b>2 Non Migas</b>	<b>29.109,12</b>	<b>52.813,23</b>	<b>181,43</b>	<b>87,65</b>
a Pendapatan Pertambangan Minerba	22.100,54	44.774,74	202,60	111,41
b Pendapatan Kehutanan	4.613,28	5.401,20	117,08	22,66
c Pendapatan Perikanan	957,19	708,19	73,99	17,90
d Pendapatan Panas Bumi	1.438,12	1.929,11	134,14	(1,68)
<b>B Pendapatan KND</b>	<b>26.130,49</b>	<b>30.496,37</b>	<b>116,71</b>	<b>(53,85)</b>
<b>C Pendapatan PNBП Lainnya</b>	<b>109.174,70</b>	<b>151.118,29</b>	<b>138,42</b>	<b>35,90</b>
<b>D Pendapatan BLU</b>	<b>58.790,14</b>	<b>119.543,82</b>	<b>203,34</b>	<b>72,48</b>

Picture 7. Realization of Non-Tax State Revenue for 2021  
Source: Ministry of Finance, 2023

Realization of PNBП in 2021 amounted to IDR 451.98 trillion or reached 151.57 percent of the target set in the 2021 State Budget. PNBП growth is affected by an increase commodity prices (oil and gas and non-oil and gas), increase in ministry/agency PNBП revenue, and increase in BLU revenue. State revenues from taxes and non-taxes are optimal and exceed the state budget target in 2021 is still not enough for government spending. Because in 2021 there is still a pandemic in Indonesia, so a lot of income is spent on health posts, providing social assistance, and economic recovery which requires large funding. So the government is trying to cover the state budget deficit by borrowing. Debt is a logical consequence taken by a country if it experiences a budget deficit.

#### 4.2 Position of State Sukuk in APBN

Deficit Financing In 2021 Indonesia's total debt is IDR 6,908.87 trillion. Government Securities (SBN) consisting of Government Securities (SUN) and State Sharia Securities (SBSN) are the largest source of financing for Indonesia's APBN deficit, which is around 88.15% or IDR 6,090.31 trillion. The remaining deficit of 11.85% or IDR 818.56 trillion was financed by domestic and foreign loans. The government's policy to finance the APBN deficit with a majority of domestic financing compared to foreign financing was the impact of the 1998 economic crisis, because financing from abroad was more vulnerable to exchange rate risk (currency risk).

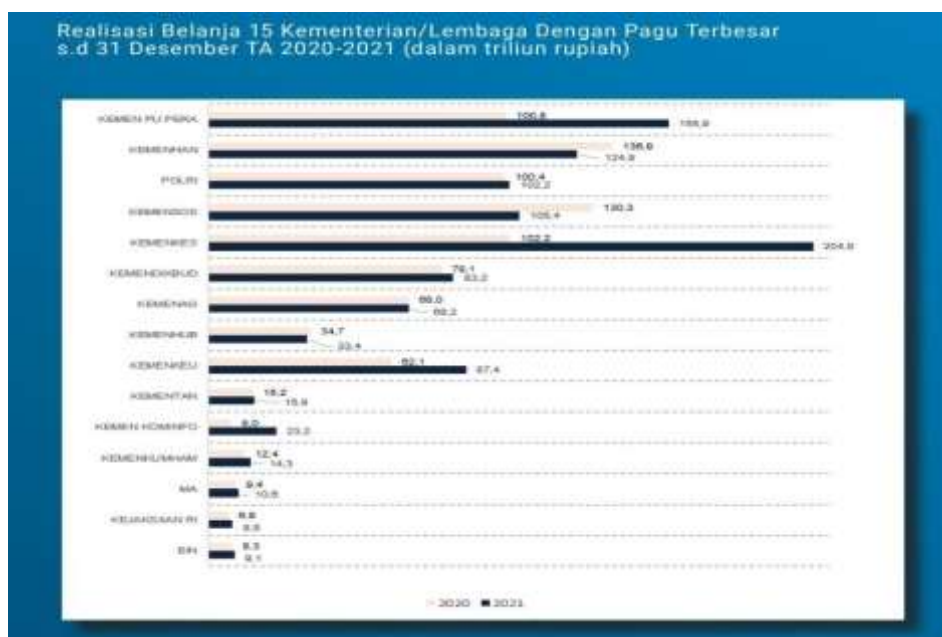


Picture 8. State Debt Financing  
Source: Ministry of Finance, 2023

SBSN issued by the government have now become the main financing instrument, as a complement to the previously existing Government Bonds and direct loans (Latifah, 2020). The total projects funded by SBSN in 2021 have reached 3,447 projects. Some priority projects include (7):

- a. Railway infrastructure, including the Trans Sulawesi (Parepare-Makassar) railway line, Trans Sumatra, and double track South Java Railway.
- b. Construction of roads and bridges in various provinces, including the construction of the Youtefa bridge in Jayapura and the Balang Island bridge to facilitate trans-Kalimantan access.
- c. Construction of several airports in various provinces to facilitate access and support connectivity between regions in Indonesia.
- d. Development of water resources infrastructure, including dams, irrigation canals, supply and management of groundwater.
- e. Construction and development of educational facilities at various tertiary institutions, such as lecture buildings and laboratory facilities.
- f. Development of research and technology infrastructure in various national research institutions.

By nature, SBSN is different from Government Bonds. Law No. 19 of 2008 Article 4 states that SBSN is issued to finance the state budget, including financing state project development. The project in issuing SBSN is known as underlying assets (Rafki, Wiliasih, & Irfany, 2022). The terms and criteria for projects that can be financed with the issuance of SBSN are listed in PP No. 56 of 2011. The scope of projects that can be financed by SBSN are for infrastructure development, provision of public facilities, empowerment of domestic industries, and other developments that are in line with the government's strategic policies. Meanwhile, SBSN is a letter of acknowledgment of government debt to SBSN holders that does not require any underlying assets.



Picture 9. Expenditure Realization of 15 Ministries/Institutions with the Biggest Ceiling for FY 2020-2021

Source: Ministry of Finance, 2023

In the future, the government should consider increasing the role of State Sukuk as a fiscal instrument in Indonesia. Not only as a debt financing instrument for the budget deficit, but also as state budget financing. Since 2012, the State Sukuk in the Project-Based Sukuk (PBS) series has been issued by the state (Hariyanto, 2017). PBS is the State Sukuk that uses underlying assets in the form of infrastructure projects that have been listed in the APBN. Referring to the realization of K/L spending for 2020-2021, the ministry that is closely related to the development of government physical projects is the Ministry of Public Works and Public Housing (Ministry of PUPR). In 2021, the Ministry of Public Works and Public Housing spent Rp. 155.9 trillion, an increase of Rp. 55.1 trillion

compared to 2020. The increase in spending for the Ministry of PUPR was dominated by infrastructure development, including the construction of roads, dams and irrigation networks. If in the coming years the spending of the Ministry of PUPR can be changed to the scheme using PBS, then the PUPR Ministry's spending budget can be diverted to spending for other Ministries/Institutions (Ramadayanti, Mainata, & Pratiwi, 2017). Thus, there is optimization of the allocation of state revenues. State Sukuk as a relatively new Islamic financing instrument has a promising future as part of the fiscal sector in Indonesia. The existence of SBSN in fiscal policy is not a competitor that weakens the pre-existing Government Bonds. In fact, SBSN has further strengthened the government's ability to finance the budget deficit (Hariyanto, 2017). The government can focus on issuing SBSN for project financing in the State Budget, while SUN is optimized for general financing. The existence of SBSN gives the government many choices in determining a combination of financing instruments so that it can minimize or even eliminate debt costs.

## 5. Conclusion

The issuance of SBSN or State Sukuk has functioned optimally as one of the instruments used to finance the state budget deficit and government project development. SBSN issued by the government uses several contracts and types to expand the reach of investors and increase government project financing. The increase in the number of SBSN issued each year does not only function as an instrument for financing the state budget deficit, but also as a catalyst for Indonesia's economic growth. In addition to the benefits for the Indonesian economy, the issuance of SBSN also encourages the growth of the national Islamic finance industry and adds alternative Islamic investment instruments for the public.

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